

Message Text

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ORIGIN ARA-10

INFO OCT-01 SS-14 ISO-00 EB-04 TRSE-00 L-01 NSC-05
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EB/ORF - MR. MILA;
TREASURY - MS. SEYMOUR (INFO)
-----079042 220426Z /70
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FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY

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LIMDIS

E.O. 11652: N/A

TAGS: EFIN, PE

SUBJECT: REQUIREMENTS STIFFENED ON \$260 MILLION BALPA LOAN

REF: STATE 065764

1. TWO REPRESENTATIVES OF A LEAD BANK IN INTERNATIONAL
CONSORTIUM CONSIDERING THE \$260 MILLION BALANCE-OF-PAYMENTS
LOAN FOR PERU HAVE TOLD ARA/AND THAT THEY INCREASINGLY
QUESTION INFORMATION GIVEN BY GOP ON STATE OF ECONOMY
(MEMORANDUM OF LAST JANUARY); HAVE DOUBTS REGARDING GOP
MOVES TO COME INTO COMPLIANCE WITH IMF STANDBY AGREEMENT
AND QUALIFY FOR SECOND DRAWDOWN; AND SENSE THAT MILITARY
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LEADERSHIP NOT FULLY AWARE OF THE SERIOUSNESS OF THE SITUATION
AND ESSENTIALITY OF FULFILLMENT OF CONDITIONS OF THEIR
PROPOSED LOAN. A SMALL TEAM OF TOP BANK OFFICIALS IS PROCEEDING
WITHIN THE COMING WEEK TO LIMA TO HOLD DISCUSSIONS
WITH PRESIDENT MORALES BERMUDEZ AND OTHER GOP MILITARY
LEADERS.

2. FOLLOWING ARE AMONG CONCERNS EXPRESSED BY OUR INFORMANTS:

A) THEY SUSPECT THAT UNDER AUSTERITY REGIME, MILITARY SECTORS ARE NOT RPT NOT ABSORBING THE CUTS IN EXPENDITURE THAT CLEARLY ARE NECESSARY. THOUGH THEY HAVE NO FIRM INFORMATION, THEY SUSPECT MILITARY PURCHASES ABROAD MAY BE CONTINUING. THEY ARE ALSO INTERESTED IN (AND CONCERNED ABOUT) THE TOTAL AMOUNT OF DEBT DUE THIS YEAR ON MILITARY PROCUREMENT, FROM ALL SOURCES.

B) THEY FEEL THAT THEY HAVE NOT GOTTEN FULL AND FINAL INFORMATION ON SOVIET ROLLOVER OF DEBT - WHAT IT COVERS (INTEREST AS WELL AS PRINCIPAL?) AND WHAT THE POSTPONEMENT OF PAYMENT IS (1 OR 3 YEARS?). THEY SAY CONSORTIUM WILL INSIST THAT SOVIET ROLLOVER BE AT LEAST 4 OR 5 YEARS, BEYOND PERIOD OF REPAYMENT ON BALPA LOAN - 4 YEARS, INCLUDING 2 YEARS GRACE. THEY STATE THAT CONSORTIUM WILL WANT ASSURANCES ON THIS IN WRITING.

C) INFORMANTS WERE EMPHATIC THAT OFFICIAL CREDITORS SHOULD BEAR EQUAL SHARE IN DEBT REFINANCING. THEY HAVE PRESSED GOP ON THIS AND HAVE BEEN INFORMED VERBALLY AND IN WRITING (BY A TELEX THREE WEEKS AGO FROM FERNANDO REUS, MINISTRY OF FINANCE) THAT AFTER BALPA LOAN SIGNED, GOP WILL FORMALLY SEEK A PARIS CLUB RESCHEDULING. (WE LIMITED OFFICIAL USE

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HAVE NOT REPEAT NOT HEARD THIS FROM ANY OFFICIAL GOP SOURCE.) VANCE

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Message Attributes

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